

Message Text

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FM AMEMBASSY TEGUCIGALPA

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INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

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C O N F I D E N T I A L TEGUCIGALPA 4669

E.O. 11652: GDS

TAGS: PFOR, PINT, HO

SUBJECT: ECONOMIC POLICY: PRIVATE SECTOR VIEWS

SUMMARY:IN VIEW POTENTIAL MAJOR CABINET SHAKEUP ATTITUDE OF PRIVATE SECTOR TOWARD GOVERNMENT TAKES ON ADDITIONAL MEANING. IN LUNCHEON FOR LAZAR OF CEN AND FOLLOW-ON DISCUSSIONS SEVERAL DISTINCT ATTITUDES OF PRIVATE SECTOR INTERESTS ANTAGONISTIC TOWARD GOVERNMENT WERE AIRED. KEY COMPLAINTS WERE INABILITY OF PRIVATE SECTOR TO PARTICIPATE IN OR INFLUENCE GOVERNMENT DECISION MAKING PROCESS, LACK OF FORMAL COMMUNICATION, STATIST TENDENCY OF SEVERAL CURRENT MINISTERS, AND INSECURITY FOR INVESTMENT AND PLANNING FUTURE. END SUMMARY.

1. REPRESENTATIVES OF COHEP (COUNCIL OF HONDURAN PRIVATE ENTERPRISE), ANDI (NATIONAL INDUSTRIAL ASSOCIATION) AND FENAGH (CATTLE AND LARGE FARM INTERESTS) PRESENTED BLEAK PICTURE OF PRIVATE SECTOR RELATIONSHIP WITH PRESENT GOH. LACK OF PARTICIPATION AND COMMUNICATION INDICATED BY RELUCTANCE
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PRIVATE SECTOR TO PARTICIPATE IN ECONOMIC AND SOCIAL COUNCIL

(CEYS) ON GROUNDS THAT GOVERNMENT INSISTS UPON NAMING THE INDIVIDUALS TO REPRESENT PRIVATE SECTOR. PRIVATE SECTOR CONSIDERS ITS ORGANIZATIONS SHOULD NAME MEMBERS AND THAT ECONOMIC AND SOCIAL COUNCIL SHOULD BE DELIBERATIVE BODY RATHER THAN RUBBER STAMP. WHILE 20 OR SO PRIVATE SECTOR LEADERS PRESENT DID NOT SEEM TO PRESS FOR RETURN TO ELECTED GOVERNMENT, THEY NONETHELESS BEMOANED LACK OF LEGISLATIVE PROCESS IN WHICH THEIR VIEWS COULD BE PRESENTED AND HAVE EFFECT. THEY FELT GOVERNMENT DECISIONS OFTEN HIGHLY AUTHORITARIAN WITHOUT REFERENCE TO AFFECTED SECTORS.

2. "LACK OF COMMUNICATIONS" COMPLAINT DIFFICULT TO ASSESS BECAUSE MANY INDIVIDUALS PRESENT FELT THEY COULD RAISE QUESTIONS WITH INDIVIDUAL MEMBERS OF GOVERNMENT ON PERSONAL BASIS ALTHOUGH WITH INDIFFERENT RESULTS. KEY COMPLAINT SEEMS TO BE THAT PRIVATE ORGANIZATIONS SUCH AS COHEP UNABLE TO INFLUENCE DIRECTION OF POLICY EVEN WHEN CONSENSUS WITHIN PRIVATE SECTOR IS CLEAR.

3. STATIST TENDENCY OF GOVERNMENT DECISIONS WITH PARTICULAR REFERENCE TO DECREE 103 ON TIMBER AND OTHER DECREES IN WHICH GOVERNMENT ARROGATES AUTHORITY SUPPORTED BY ADDITIONAL REFERENCE TO DIRECTION OF SUPPORTED AGRARIAN REFORM AND NATIONAL ECONOMIC PLANNING. NEITHER OF THESE MAJOR GOVERNMENT POLICY ELEMENTS HAVE BEEN PRESENTED TO PRIVATE SECTOR AND THE NEED FOR RADICAL SOLUTIONS RUMORED CONTAINED IN BOTH POLICIES HAS NOT BEEN ESTABLISHED ACCORDING TO THOSE PRESENT. CONCERNING AGRARIAN REFORM, ONE ARTICULATE COMMENT WAS THAT AGRARIAN REFORM MAKES NO SENSE IN HONDURAS WHERE GOVERNMENT LANDS ARE IN ABUNDANCE. HOWEVER, GOVERNMENT QUITE AWARE THAT DEVELOPMENT OF THESE LANDS WOULD BE COSTLY AND, THEREFORE, IS SEEKING TO TAKE LANDS ALREADY DEVELOPED BY PRIVATE OWNERS IN ORDER TO AVOID HIGH DEVELOPMENT COSTS. SPEAKER ALSO NOTED THAT AGRARIAN REFORM HAD BEEN NECESSARY ONLY IN COMMUNIST AND SOCIALIST ECONOMIES WHILE HONDURAS WAS SUPPOSEDLY, LIKE THE U.S., A FREE ENTERPRISE SOCIETY.

4. THE FACT THAT THE GOVERNMENT HAS EXCLUDED PRIVATE SECTOR PARTICIPATION AND TAKEN ARBITRARY MEASUREE, AND SEEMS TO BE PLANNING MORE, HAS LED TO MASSIVE INSECURITY WITHIN PRIVATE

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SECTOR. ACCORDING TO GROUP, NEW INVESTMENTS ARE DIFFICULT WHEN THE PRIVATE SECTOR'S HEAD IS UNDER THE GUILLOTINE.

5. SEVERAL PRESENT COMMENTED ON THE FACT THAT THE U.S. GOVERNMENT ASSISTANCE TO HONDURAS IS DIRECTED TO THE GOVERNMENT OF HONDURAS, THUS SUPPORTING BOTH REGIME AND THE TENDENCY TOWARD STATISM. THIS VIEW WAS COUPLED WITH THE EXPRESSION OF HOPE THAT THE U.S. AND OTHER FINANCIAL DONORS SUCH AS THE

WORLD BANK WILL TREAT THEIR EMERGENCY AND REGULAR ASSISTANCE PROGRAMS IN A MANNER TO OBLIGE GOVERNMENT CONSULTATION WITH THE PRIVATE SECTOR AND ENGENDER POLICIES WHICH WILL LEAD TO SOMETHING OTHER THAN STATIST DEVELOPMENT.

6. COMMENT: THE FRUSTRATION OF PRIVATE SECTOR LEADERSHIP WITH THE GOVERNMENT DECISION-MAKING PROCESS IS INCREASING. THE GOVERNMENT CONTINUES TO EXCLUDE THE PRIVATE SECTOR AS "DELINQUENTS." UNDERLYING MOST COMMENTS WAS A SENSE THAT THE DECISION MAKING PROCESS WITHIN THE GOVERNMENT NOW HAS COME TO A HALT LEAVING LITTLE POSSIBILITY OF SUBSTANTIVE CHANGE TO IMPROVE PRIVATE SECTOR ATTITUDES.
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